

# **Small Business Economic Impact Statement**

## **Why?**

The concept was created by the legislature in 1982 because lawmakers believed agency rules often had a disproportionate impact on small business. This, they said reduced competition, innovation, employment opportunity and threatened some small businesses existence.

## **What?**

Defines “small business” as those of 50 or fewer employees.

Requires agencies to assess the impact of reporting, recordkeeping, and other compliance requirements in the proposed rule.

## **How?**

We will ask mortgage companies to tell us what they think the rule will create in terms of cost per employee, the cost per hour of labor, the cost per hundred dollars of sales. Additional details on the potential impact of the rule on mortgage broker licensees will be sought. For example,

will the rule cause a loss of sales? Will the rule increase labor or equipment costs?

We will compare the impact small business think the rule has with the impact the rule is believed to have on large businesses.

The law requires DFI to outline the steps we've taken to reduce the cost of the rule on small businesses or explain why we have not done so. An example: We think we have minimized costs to licensees by creating a fee structure where loan originators pay the cost of their licensing and provide enough to cover the costs of examinations of mortgage companies. We further are minimizing costs by more frequently examining risky companies (based on previous examinations, enforcement issues, and other criteria) while examinations of less risky companies come less often.

We are also to describe how DFI has involved small businesses in the development of the rule. You are now part of that involvement process.

## **Here is what DFI plans to do**

1. Survey a sample of mortgage broker licensees – we want to focus on small companies. The survey will be mailed randomly to a percentage of small mortgage broker licensees in a month or two. We will also sample from among the largest mortgage companies for comparison.
2. Ask mortgage trade associations for input. They may be asked to survey their membership.
3. Analyze the survey results. This will include a look at what small businesses think the rule will do and comparing that with what large mortgage companies see as the impact of the rule.
4. Publish our survey findings and report. We will report to the public and to the Office of Financial Management. Look for the report on our web page at the end of this process.